

State Employee Benefits Committee
Monday, March 12, 2012 at 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on March 12, 2012, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB
Brenda Lakeman, Director, OMB, SBO
Faith Rentz, Deputy Director, OMB, SBO
Vicki Ford, OMB, Financial Operations
Dawn Guyer, OMB, Financial Operations
Rebecca Reichardt, OMB, BDPA
Ann Skeans, OMB, SBO
Mary Thuresson, OMB, SBO
Mike Morfe, AON Hewitt
Stuart Wohl, Segal
Andrew Kerber, DOJ
Carolyn Berger, Justice, AOC
Lori Christianson, Office of Controller General
Valerie Watson, Department of Finance
Karen Weldin Stewart, Insurance Commissioner
Jenifer Vaughn, Department of Insurance
Erika Benner, State Treasurer's Office
Henry Smith, DHSS

Kim Vincent, Pension Office
Yvonne Marshall, PHRST
Monica Gonzales Gillespie, OMB, HRM
Pat Griffin, SEBAC Chair
Mary Cooke, DOE
Judy Anderson, DSEA
Joe Kirk, DSEA
Chris Ulrich, U of D
Faith Joslyn, Blue Cross Blue Shield DE
Vonda Benson, Blue Cross Blue Shield DE
Mike North, Aetna
Julie Caynor, Aetna
Lisa Carmean, City of Milford
Joe Morocco, HMS
Jim Testerman, DSEA - R
Rich Phillips, DSEA - R
Hugh Ferguson, DRSPA
Dave Leiter, State Employee

Agenda Items Discussed:

Introductions/Sign In

Director Visalli called the meeting to order at 2:05 p.m. Introductions were given around the room. Those who wanted to make public comments were reminded to sign in.

Approval of Minutes

Director Visalli requested a motion to approve the minutes from the February 24, 2012, SEBC meeting. Ms. Christianson made the motion and Mr. Smith seconded the motion. Upon unanimous voice vote the minutes were approved.

Directors Report – Brenda Lakeman

It was reported at the last meeting that it is unlikely the state will receive any more reimbursements from the Early Retiree Reinsurance Program. A final claim file submission for FY10 was recently completed and resulted in a \$46,000 overpayment to the Group Health Insurance Program for the FY10 plan year. It will be repaid to CMS. The Group Health Insurance Program is currently the 3,000 health plan in the queue for further reimbursements. The program funds are currently depleted.

Health Fund Financials – Mike Morfe (handout)

Positive trends continue on the reporting basis. The total claim and expense trend, two quarters over two quarters, is up 3.2 percent. That is with enrollment being up 1.8 percent. On a per person basis, this represents approximately a 1.5 percent increase year over year. A slight upward trend is starting to be seen over the last four quarters at 5 to 6 percent annually. The Medicare eligible retirees show a surplus of 11.9 percent. Their experience continues to be positive.

The experience for each individual health plan was reported and explained in detail. First State Basic continues to perform well. PPO experience is positive with good trends. HMO experience has a decent trend with a surplus for the active population. It is expected to see slight negatives for the early retiree population because this group is more expensive than the active group. Medical and prescription drugs continue to have good experience. Director Visalli stated that decisions on rates and plan design changes will be made in March. She asked if any additional financial experience would be presented to the SEBC before decisions must be made. Mr. Morfe responded that no additional information would be available and the 5.84 percent trend recently presented was based upon the latest available information and is what is recommended to be used in planning for FY13.

FY13 Group Health Insurance Program Planning – Brenda Lakeman and Faith Rentz

Objectives for Today's Discussion

- FY13 Budget Projections
- Risk Based Capital – Adjustments to Minimum Reserve
- Cost Saving Options for FY13
 - Prescription Coverage Management Savings
 - Prescription CoPay Options
- FY13 Health Care Rates
 - Options to Close the Balance
- FY13 DelaWELL Plan Approval
- FY13 Group Health Planning Approval

The majority of the above items were discussed at the prior SEBC meeting held February 24, 2012. Today's meeting provided updated figures.

The following updated FY12 Group Health Fund Projections were explained and questions answered.

	January 2012	March 2012
FY 2012 Premium Revenue	\$584.1M	\$586.7
Early Retiree Reinsurance Revenue (approved by SEBC in March 2011)	\$9.5M	\$9.5M
Total Projected Revenue	\$593.6M	\$596.2M
FY 2012 Projected Expenditures	(\$589.6M)	(\$579.2M)
FY 2012 Projected Balance/Surplus	\$4.0M	\$17.0M

The following FY13 Group Health Fund Projections were explained and questions were answered.

	January 2012	March 2012
FY 2013 Expenditure Projections Using 5.84% Trend	(\$623.3M)	(\$612.6M)
Less Premium Projections Using FY12 Rates	\$584.1M	\$577.7M* (reduction due to lower Medicare Supplement Plan rates beginning January 2013 based on EGWP savings)
Total Amount Needed for FY13	(\$39.2M)	(\$34.9M)

A six year snapshot of revenue versus expenses was portrayed in a graph. The costs at 5.84 percent trend for FY13 and FY14 shows the FY13 gap at (\$34.9) and increasing to a (\$61.7) gap for FY14 between costs and income, if no changes are made to fill the gap of (\$34.9) this year.

The Insurance Commissioner had asked about increasing the calculations of the Risk-Based Capital from 200 to possibly 205 percent. The change would increase the reserve by \$1.4M. If approved, the \$1.4M would be moved from the surplus to the reserve.

At the last meeting, several coverage management and co-pay change options related to the prescription drug benefit were presented. Annual savings estimates for the coverage management options were detailed and amount to \$103,000 to \$148,000 annually. Three variations of co-pay changes were presented and explained. Depending upon the option considered, savings could range between \$672,000 and \$2M.

The FY13 rate structure pursuant to House Bill 81 was reviewed. The legislation established an employee cost share of the total premium for each of the plans as follows:

- First State Basic - 4 percent
- Consumer Directed Health Plans - 5 percent.
- HMOs 0- 6.5 percent
- Comprehensive PPO – 13.25 percent

Plan rates illustrating the following were each presented and explained for consideration for FY13:

- FY12 Non Medicare plan rates adjusted pursuant to House Bill 81
- FY12 Special Medicfill Medicare Supplement plan rates adjusted pursuant to House Bill 81
- Special Medicfill Medicare Supplement plan rates adjusted pursuant to House Bill 81 and reflecting implementation of the Employer Group Waiver Plan on January 1, 2013
- Non Medicare plan rates adjusted pursuant to House Bill 81 with a 3% increase above FY12

A three percent increase in the total rates (last option above) across all plans yields \$17.6M.

Other options to address the FY13 increase were presented as follows:

Balance:	\$ 34.9M
Utilize One Time Revenue Sources:	
FY12 Early Retiree Reinsurance Reimbursement\$	2.9M
Health Fund Surplus	\$ 32.0M
	(of total \$49M)
Hold One Time Revenue Sources:	
FY12 Medicare Part D Subsidy	\$ 10.5M*
FY13 Medicare Part D Subsidy (1/2 Year)	\$ 4.0M*
*Estimates	

Throughout was discussion with questions and answers.

The FY13 DelaWELL plan was reviewed. Approval by the SEBC will be needed.

Incentive Structure:

- Silver: *Wellness Assessment + Biometric Screening* = \$100
 - With option to pay as Early Bird Incentive in December 2012
- Gold: *Wellness Assessment + Biometric Screening PLUS Condition Care Program or Health Coaching or Tobacco Coaching or Weight Watchers* = \$200

Tobacco Cessation Copay Waiver:

- Include \$0 copay for tobacco cessation prescription medications

*FY13 DelaWELL Incentives and Tobacco Copay Waiver to be funded with remaining prior year DelaWELL incentive funds.

A summary of other items requiring action by the SEBC was provided as follows:

Risk Based Capital Percentage Increase:

- Increase percentage from 200% to 205% = \$1.4M (move from surplus to reserve)

Prescription Coverage:

- Adopt coverage management rules for Hepatitis C drugs – Incivek and Victrelis
- Adopt coverage management rules for Simponi and Cimzia

Health Plan Rates:

- Adopt FY13 rates

Utilize One-Time Funds and Surplus to Cover Funding Shortage as needed

In depth discussion with questions and answers took place throughout the presentation.

SEBAC Comment

Ms. Griffin reiterated SEBAC enthusiastically supports the changes to the DelaWELL Program related to incentives for Weight Watchers and tobacco cessation. Regarding changes for FY13, SEBAC does not support a prescription co-pay increase; however, the SEBAC would also prefer that the SEBC not approve FY13 rates above what is mandated by House

Bill 81. The SEBAC acknowledged that not changing rates or prescription co-pays would leave the SEBC with utilizing one time funds to balance the health fund budget and that use of one time funds could result in a widening gap between premium rates and health expenditures in future years.

Public Comment

Dave Leiter, state employee, asked if House Bill 81 was set in stone. Director Visalli confirmed it was state law. He stated that he would like to see pay grades 1-5 and up to pay grade 7 as well as retirees not receive an increase in employee/pensioner contributions or out of pocket expenses.

FY13 Group Health Insurance Program Planning Continued

Director Visalli asked if the SEBC would entertain a motion on the first two items and then consider further discussion related to the FY13 rates and use of surplus/one-time funds. The Commissioner was asked if she wanted to make the first motion to adjust the risk-based capital formula for assigning a minimum surplus from 200 to 205 percent. Commissioner Stewart moved that the SEBC adopt the change so they can incrementally move up to where the health fund would have a more comfortable reserve.

Justice Berger wanted clarification. As far as she understood the SEBC was voting on a change from 200 percent to 205 percent at a cost of \$1.4M. To the extent the SEBC might want to make additional adjustments to the formula, that is not part of today's motion. She asked if that was consistent with what Commissioner Stewart was saying. After some discussion Director Visalli clarified that the motion would be to adjust the formula from 200 to 205 percent. Ms. Christianson seconded the motion. Upon unanimous voice approval the motion carried.

Justice Berger moved to approve both the FY13 DelaWELL plan including the incentive structure and \$0 co-pay for tobacco cessation prescription medications and also the coverage management rules for Simponi and Cimzia and the Hepatitis C drugs – Incivek and Victrelis. Ms. Benner seconded the motion. A unanimous voice approval followed and the motion carried.

Director Visalli stated the last action item, if the Committee chose, would be to finalize the FY13 rates for the medical plans. The motion would be to either adopt the FY13 rates as presented, based on FY12 and reflecting House Bill 81, adopt the rates with the 3 percent increase or if the Committee requests, present other options at the March 26, 2012 meeting. If the first option is chosen, it cannot be adopted without the SEBC deciding on how to fund the remaining shortfall. This would include decisions on use of one time surplus funds. Ms. Lakeman explained if the SEBC adopts any of the prescription co-pay changes, such action would reduce the amount of one-time funds needed. Specifics regarding the one-time funds were discussed. Justice Berger suggested going with SEBAC's suggestion and made a motion to adopt the FY13 rates based on FY12 and adjusted to reflect the cost share changes outlined in House Bill 81 and draw from the surplus/one-time funds to fund the remaining shortfall.

Discussion followed regarding the impacts that the cost share changes in House Bill 81 are already having to the employee/pensioner contributions as well as the unintended consequences of holding rates flat when expenses continue to rise. One-time funds sources will be much less in future years and will contribute to a slower

surplus growth. Commissioner Stewart seconded Justice Berger's motion. Director Visalli clarified the motion as follows:

- For FY13, approve no change in the FY12 rates other than adjustments to the cost share as mandated by House Bill 81;
- Utilize first, the remaining \$2.9M of FY12 ERRP funds and second, the health fund surplus.

The SEBC recognized that use of the surplus may result in a larger gap between income and expenses in FY14. There were no further questions. Upon unanimous voice approval the motion carried.

Commissioner Stewart asked the SEBC to consider in the future, employee contributions based on a sliding scale where lower pay grade employees would pay a lower employee contribution. Director Visalli acknowledged that the Commissioner has requested this previously and it was determined that insufficient data exists to fully evaluate the idea and administratively, the option is not feasible. Ms. Lakeman reminded the SEBC that earning the DelaWELL incentives can be communicated to the lower pay grade employees as an offset to their employee contributions.

Justice Berger asked if she can be provided with information on how many employees are in pay grades 1-5 and how many retirees are getting the equivalent amount in their pensions. Director Visalli stated the Statewide Benefits Office would obtain that information. She added that the group who participated in the discussions that culminated with House Bill 81 worked through options that considered lower pay grade employees and long time retirees receiving equivalent level pension benefits.

Other Business

None.

Director Visalli reminded all that the next SEBC meeting is currently scheduled for Monday, March 26.

Director Visalli requested a motion to end the meeting. Ms. Christianson made the motion and Ms. Benner seconded the motion. The meeting was adjourned at 3:02 p.m.

Respectfully submitted,

Mary K. Thuresson
Administrative Specialist
Statewide Benefits Office, OMB